

UNITED STATES CIVIL SERVICE COMMISSION
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STATEMENT OF JOHN W. MACY, JR.
CHAIRMAN OF THE CIVIL SERVICE COMMISSION
BEFORE THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE OF
THE HOUSE OF REPRESENTATIVES ON
H. R. 8716 AND H. R. 8717, IDENTICAL BILLS "TO ADJUST THE RATES OF COMPENSA-
TION OF CERTAIN OFFICERS AND EMPLOYEES IN THE FEDERAL GOVERNMENT, AND FOR
OTHER PURPOSES."

Mr. Chairman and Members of the Committee:

Thank you for inviting me here today to present further views on the very important subject of proposed Federal salary adjustments. My discussion will focus on the bills now before the Committee, H. R. 8716 and H. R. 8717 introduced by Mr. Udall and Mr. Broyhill. These bills would provide a comprehensive revision of statutory salaries in the executive, legislative and judicial branches of the Government.

I commend Mr. Udall and Mr. Broyhill for their action in preparing and introducing this broad proposal. I wish to assure you that they have the active support of the Civil Service Commission.

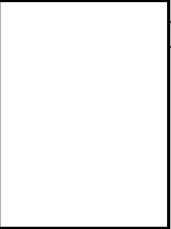
Today, Mr. Chairman, I would like to pick up a particular thread from my earlier testimony before the Committee on August 13, in support of the adjustment of statutory salary schedules recommended by the President. Several Committee members suggested at that time that the top rates of career schedules and top executive salaries are now so interrelated that action on

the proposed statutory schedules could not be thoughtfully considered before a proposal for adjustment of top executive rates was introduced. This was a most reasonable view, considering, for example, that the salary proposed for grade GS-18 was \$25,500 and the present salary for the Secretary of a Cabinet Department is \$25,000. This interrelationship was recognized in the President's proposal by provision for a \$20,000 limit on the salary rates actually payable under the recommended career schedules, with the limitation to remain in effect until top executive salaries were adjusted.

The constructive bills now before you include both the President's recommendations for carrying out the comparability policy of statutory salary systems and broad proposals on top executive, legislative, and judicial pay. They thus supply in concrete form the missing feature identified by Committee members when I appeared here in August.

There is little to add to my earlier statement on the President's recommendations for increasing salary rates of the four statutory salary systems covered by the Federal Salary Reform Act of 1962. The recommendations would be made effective by title I of H. R. 8716. The salary adjustments proposed are called for by, and are in strict accordance with, existing statutory requirements. They would carry out the salary policy prescribed by the Act that Federal salary rates shall be comparable with private enterprise salary rates for the same levels of work. They are based on an authoritative Bureau of Labor Statistics survey of salaries

paid by private firms. They should be enacted, both in fairness to Federal employees and in the interest of competent staffing of the Federal civil service.

25X1  Title II covers salaries of the highest executives of the Government under the President, including the Vice President; Secretaries, Under Secretaries, and Assistant Secretaries of departments; heads and assistant heads of independent agencies; chairmen and members of commissions and boards; and chiefs of major bureaus. Rates proposed range from \$40,000 for Level I down to \$27,500 for Level VI. Positions to be paid in Levels I, II, and III are listed in the bill itself; positions would be placed in Levels IV, V, and VI by the President.

I emphasize again the statement of the Director of the Bureau of the Budget that the Administration endorses the executive salary provisions and levels in title II of these bills.

In reality, the proposed salaries are probably not as large as they should be to recognize fairly the responsibilities of these national offices today. Proposed rates are somewhat less than those recommended by the President's Advisory Panel on Federal Salary Systems, following extensive development and study of information on executive compensation in other public and private organizations. The salary proposed for a Cabinet member is also lower than the \$50,000 or more favored by a majority of nearly 400 leaders in American life polled by the National Civil Service League.

Nevertheless, the salaries proposed represent a vast improvement over present conditions. They would substantially relieve the compensation disadvantage of the Federal executive among American executives generally.

In addition, they would permit the statutory salary schedules of career systems to be adjusted as required by the statutory comparability policy without conflict between their top rates and salaries of the top executive echelons. In this connection, they not only allow the adjustment now proposed in the schedules of the Classification Act and the three related systems; they also make an allowance for future career-schedule increases without the necessity for reopening top executive salaries. As recommended by the President's advisory panel, the salary for Level V should constitute the ceiling which top career salaries may approach but not exceed. The \$30,000 salary for Level V would provide an initial \$4,500 gap between this ceiling and the GS-18 rate of \$25,500.

I agree with the President's Advisory Panel on Federal Salary Systems that the higher ranges of Federal executive compensation cannot be and need not be fixed at rates comparable with the higher ranges of executive compensation in business and industry. Rates proposed in H. R. 8716 and 8717 are entirely consistent with this view -- they are far below business and industry executive compensation levels. If the Committee feels any need for data on this point, I shall be glad to furnish later, for the Committee's use and for the record, information on executive compensation in private firms.

Fairness to the individuals in the Federal service and the good of the service itself, however, requires that Federal executive salaries maintain an equitable relationship with salaries in other public service fields in the United States. This is not now the case. During the seven years since the last general adjustment in 1956, Federal executive pay has remained

stationary, while pay rates in State and local government, in colleges and universities, and in foundations, have been moving ahead with the advancing levels in the total national economy.

To illustrate State and local government executive levels, as the result of a Civil Service Commission staff study we know of more than 1000 positions with compensation of \$25,000 or more. Over one-fourth of these, 276, pay \$30,000 or more. The \$25,000 or over positions are distributed geographically among 39 states, leaving only 11 that do not include at least one public agency paying a rate higher than that of Federal Cabinet officers.

The study made by the Commission did not result in one hundred percent coverage when it was made last spring. Although it attempted to cover all State governments, it did not reach into many localities with a population below 350,000. Even since the study, more positions have crossed the \$25,000 line. A recent newspaper article, for example, mentioned the \$30,000 salary that Kentucky has established for the head of the University. Incidentally, this means that there are currently at least 40 States in which public service positions paying \$25,000 or more are found.

Today, a salary of \$30,000 for the head of a college or university is no longer a rarity. According to a 1962 report of the National Education Association, 81 presidents and 31 vice presidents receive \$25,000 or more annually. Another 1962 report, of the Office of Education of the Department of Health, Education, and Welfare, shows these average (mean) salaries in the larger universities and colleges:

- Enrollment of 10,000 or more:
 - o Public institutions - \$26,100
 - o Private institutions - \$32,200
- Enrollment of 5,000 and up to 10,000:
 - o Public institutions - \$21,400
 - o Private institutions - \$25,700

Statistics furnished by the Internal Revenue Service, in May 1963, indicate the level of salaries of the principal executives in tax-exempt foundations. Executive titles vary among organizations, but among the 17 large foundations for which salaries were reported there are 8 presidents, with an average salary of \$38,050; 12 vice presidents, average salary \$29,500; and 12 directors and trustees, average salary \$28,652.

Thus, the two principal reasons for adjusting Federal executive compensation levels at this time are:

1. To permit the sound, statutory principle of comparability between Federal and private enterprise pay to operate effectively for career salary systems, and
2. To provide reasonably equitable compensation for the Government's executive officers.

These are compelling reasons. Adjustment of top Federal salaries as proposed in H. R. 8716 and H. R. 8717 would complete the reform of Federal salary systems that began so auspiciously with enactment of the Federal Salary Reform Act of 1962. Executive pay improvements proposed in the bill, coupled with application of the comparability principle at career levels, would establish an effective, equitable, and up-to-date salary structure for the Federal service.